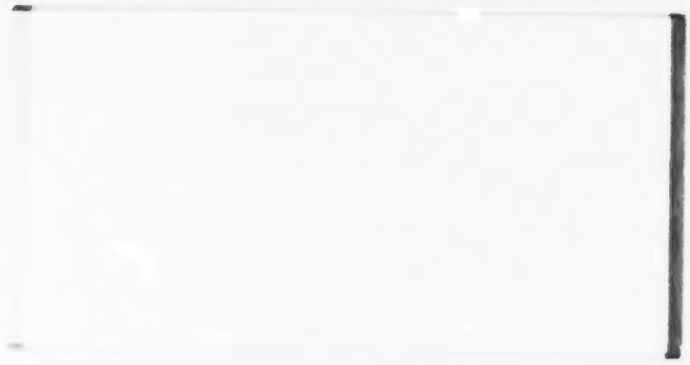

THE SOCIAL PLANNING and RESEARCH COUNCIL of Hamilton and District

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SOCIAL DEVELOPMENT IMPLICATIONS OF THE FREE TRADE AGREEMENT: AN INITIAL APPRAISAL

BACKGROUND PAPER

FOR THE

BOARD OF DIRECTORS OF

THE SOCIAL PLANNING AND RESEARCH COUNCIL
OF HAMILTON AND DISTRICT

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INTRODUCTION

The recently negotiated free trade agreement is one of the most controversial and potentially important pieces of legislation in recent memory. Much of the debate, to date, has focused upon the agreement's impact upon our economy and culture. As with any piece of legislation of this magnitude, however, there are also important social development implications which have received somewhat less attention.

Social planning councils and social policy analysts across the country have been reviewing the agreement for the purpose of identifying those areas which are of particular importance to the social development field. The purpose of this paper is to provide the Board of Directors with an initial overview of the major issue which have been identified to date. Further papers will provide up-dates of this review.

Three issues will be presented in this paper:

(1) The adjustment process and its effect upon the local economy and labour force.

(2) The potential impact of future negotiations on government subsidies.

(3) Concerns related to the services-management component of the agreement.

I. THE ADJUSTMENT PROCESS

The implementation of the Free Trade Agreement is expected to help some industrial sectors and hurt others. Sectors that are helped should produce new jobs while those that are hurt will lose jobs. In discussions of the free trade issue, this is what is known as the "adjustment process".

Estimates of the magnitude of this adjustment vary widely depending upon whether the "estimator" is for or against the agreement. The Federal Department of Finance for example estimates that only 160,000 workers across the country might lose their jobs, over a ten year period, as a result of the agreement. The number of jobs created by the agreement will easily absorb these workers in new positions, given adequate retraining.

The Government of Ontario, however, estimates that between 273,00 and 400,000 manufacturing jobs in Ontario will be put at risk as a result of the agreement.

Whatever the magnitude of the disruption might be, it will have obvious implications for the community service sector. All of the agencies and programs which make up that sector are a part of the "safety net" which is supposed to help these workers get through the adjustment process.

It is not yet possible to estimate the impact of these changes upon the Hamilton-Wentworth economy because the detailed sector by sector projections have not yet been released. The recently released Department of Finance study

concludes that manufacturing industries will be the main beneficiary of the agreement with a 10.6% increase in real output. Primary industries are expected to benefit by only 2.1% and service industries by only .9%. On the basis of this study, then, manufacturing centres such as Hamilton should benefit from the agreement.

Studies by the Ontario government, however, may yield quite different conclusions when they become available.

II. SUBSIDY ISSUES

The most important component of the free trade debate, from a social development perspective, relates to the concept of "subsidies". Any Canadian program which can be construed as a government subsidy which gives Canadian producers some kind of advantage over their American counterparts is likely to be of concern to the Americans. This could include everything from Medicare to Regional Development Grants to the kind of wage subsidies which are frequently used as components of our employment services to disadvantaged groups.

The issues of subsidies was set aside in the Free Trade Agreement which is now being considered by Parliament. This component will be negotiated during the next five to seven years and if agreement cannot be reached at the end of that period, the Free Trade Agreement will be cancelled.

Critics of the agreement have expressed two primary concerns about this issue:

1. Given the kinds of structural shifts which will occur in our economy as a result of the free trade agreement, it is unlikely that the Canadian government would be willing to cancel the agreement, seven years down the road, even if they can not reach a satisfactory agreement on subsidies with the United States. There is, consequently, a fear that Canadian negotiators might "cave-in" on important subsidy issues in order to prevent a cancellation of the agreement.
2. Canada used its best "bargaining chips" during the just completed negotiations. We will not, therefore, be negotiating from a position of strength during the subsidy phase.

III. CONTRACT MANAGEMENT

A third issue which has been a source of concern to social policy analysts relates to a section in the agreement which appears to open the door for the entrance of American "for-profit" community services in Canada. This controversy relates to the section of the agreement dealing with "services". Essentially, the agreement states that any service which seeks to establish itself in either country should not receive a discriminatory response simply because it is not a domestic service. One of the services included in the list of services which will be covered by this agreement is "Health Care Facilities Management Services".

What the agreement says, in essence, is that if an American Health Care Management Firm seeks to undertake the management of a Canadian health care facility, it cannot be denied this opportunity simply because it is American.

What then is included under the heading of "health care management services"? The agreement defines this term on the basis of the Standard Industrial Classification system used by Statistics Canada. This classification includes: all hospitals

homes for personal and nursing care

homes for physically handicapped and/or disabled

homes for mentally retarded

homes for mentally handicapped and/or disabled

homes for emotionally disturbed children

homes for alcohol/drug addicts

homes for children in need of protection

homes for single mothers

children's boarding homes

foster homes

halfway houses

homes for destitute men and women

orphanages

home care services

community health centres

and more.

Thus, initial interpretations of the agreement suggest that it has opened the door for American management of a wide variety of different kinds of Canadian community services. In the words of Ken Murdoch of the Winnipeg Social Planning Council - "It prescribes ... a future scenario which allows for substantial management of our human services by American interests and with models and values heretofore never experienced in Canada".

The implications of this section are difficult to identify at this stage of the debate but they are of obvious importance to the trend of "privitization" which is underway in some sections of the country. If a community service is put "on the block" for privatization, American companies will have free and unrestricted access to the tendering process.

CONCLUSIONS

At this stage of the free trade debate, the proposed agreement appears to have potentially important implications for the field of social development. It is still difficult to identify those implications with any degree precision at this stage of the analysis. Further review, analysis and discussion should clarify some of these concerns in the months ahead.